



THE SECRETARY OF THE NAVY  
WASHINGTON DC 20350-1000

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24 Apr 17

SECNAV  
31 May 17

MEMORANDUM OF AGREEMENT  
BETWEEN  
THE SECRETARY OF THE NAVY  
AND  
THE NAVAL ACADEMY ATHLETIC ASSOCIATION

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1. Purpose. This Memorandum of Agreement (Agreement) is entered into by the Secretary of the Navy (the Secretary) and the Naval Academy Athletic Association (NAAA) to establish the relationship between the U.S. Naval Academy (the Naval Academy) and NAAA pursuant to 10 U.S.C. § 6981.
2. Background. The NAAA is a non-federal, unincorporated association formed in 1891 and existing today as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and a charitable entity registered under the laws of the State of Maryland. The NAAA is headquartered on the grounds of the Naval Academy in Annapolis, Maryland, and serves the Navy by managing the physical fitness and intercollegiate athletics programs at the Naval Academy as its sole and exclusive purpose. The relationship between the Navy and the NAAA has yielded tremendous benefit to the Naval Academy in the execution of its mission, as well as to the American taxpayer. This Agreement is pursuant to the enactment of 10 U.S.C. § 6981.
3. Objectives
  - a. Describe the manner by which the Navy exerts and maintains fiscal and operational oversight over the business affairs of the NAAA, while recognizing that the NAAA is a private association, and a distinct legal entity.
  - b. Provide for the delegation of authority for the Naval Academy to conduct business directly with the NAAA.
  - c. To effectively administer and preserve to the benefit of the Navy the relationship between the NAAA and the Naval Academy in its present form as reflected in 10 U.S.C. § 6981, NAAA constitution and bylaws, and the National Collegiate Athletic Association (NCAA) constitution, bylaws, and legislation.
4. Authority. The 2013 National Defense Authorization Act, Chapter 603, codified at 10 U.S.C. § 6981 recognizes the enduring relationship between the NAAA and the Naval Academy

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and the Secretary's authority to conduct business with the NAAA in matters pertaining to (1) the acquisition of property or services from the NAAA for the direct benefit of the Naval Academy; (2) the acceptance from the NAAA or the National Collegiate Athletic Association of funds, supplies, and services to support the athletic and physical fitness programs at the Naval Academy; and (3) the licensing by the Navy to the NAAA of trademarks and service marks.

5. Oversight

a. Organizational

(1) The NAAA conducts business as an unincorporated association and governs itself consistent with its duly enacted Constitution (the Constitution) and with the Corporations and Associations Article of the Annotated Code of Maryland.

(a) Federal. Following an examination by the Internal Revenue Service, the NAAA was determined in writing to be a tax-exempt, charitable organization under 501(c)(3) of the Internal Revenue Code.

(b) State. As a Maryland charity, the NAAA conducts its operations consistent with the Maryland Solicitations Act and annually maintains its registration with the Maryland Secretary of State, Charities Division.

(c) Geographic. The NAAA's headquarters are situated on the grounds of the Naval Academy and the NAAA conducts its business from that location.

(2) Pursuant to the NAAA Constitution, the business and affairs of the NAAA are managed under the direction of a nine-member Board of Control (the Board of Control) and subject to the Superintendent's oversight authority. The Board of Control provides input to management at the strategic level. The authority and responsibility for the administration of the NAAA rests with the President of the NAAA.

(a) The Superintendent of the Naval Academy (the Superintendent) has the power to appoint members of the Board of Control.

(b) The Superintendent of the Naval Academy has the authority to approve or disapprove all actions of the Board of Control.

(c) The Board of Control is chaired by the Commandant of Midshipmen (the Commandant).

(d) Collectively, the Superintendent and the Commandant control the selection of eight (8) of the nine (9) seats on the Board of Control.



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(e) The Naval Academy's Institutional Athletics Representative to the NCAA serves as one member of the Board of Control.

(3) Under the NAAA Constitution, the Superintendent holds the following additional oversight powers with respect to the NAAA:

(a) The power to appoint the Director of Athletics of the Naval Academy, who is a member of the Superintendent's Senior Leadership Team reporting directly to the Superintendent, and also serves as President of the NAAA;

(b) The power to exercise final authority over all athletic policy and NCAA institutional control decisions at the Naval Academy.

b. Accounting

(1) The NAAA conducts its financial affairs consistent with generally accepted accounting principles (GAAP).

(2) The NAAA is audited regularly by an independent, outside accounting firm that prepares a financial statement for the NAAA on the accrual basis of accounting (the Financial Statement) and utilizes principles established by the Financial Accounting Standards Board (FASB).

(3) Although this agreement does not change NAAA's status under various public disclosure laws, the NAAA shares the results of its external annual audit and a copy of its year to date Financial Statement with the Board of Control and with the Superintendent.

6. NAAA Covenants Preserving Navy Control. To preserve the Navy's oversight regarding the fiscal and business affairs of the NAAA, and consistent with the principles set forth in 10 U.S.C. § 6981, the NAAA covenants unto the Secretary as follows:

a. The NAAA shall continue to operate exclusively to support the athletic and physical fitness programs of the Naval Academy, and will enter into no agreement with a third party that reflects unfavorably upon, or tends to compromise the integrity of, the Navy, the Secretary, the Naval Academy, or the Superintendent.

b. The NAAA will conduct business consistent with the terms of its Constitution and, absent express written permission by the Secretary, will neither seek to adopt nor permit any amendment to its Constitution that reduces the powers of the Board of Control, the Superintendent, or the Commandant.

c. The NAAA will conduct its fiscal affairs in a manner consistent with GAAP and will arrange to be audited on an annual basis by an independent outside accounting firm utilizing FASB principles.

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d. The NAAA will take all steps required to maintain its status with the IRS as a tax-exempt charitable organization under 501(c)(3), and shall give notice to the Secretary and the Superintendent within five (5) business days after it learns of any change to its tax exempt status.

e. The NAAA will take all steps required to maintain compliance and current registration with the Maryland Secretary of State under the Maryland Solicitations Act, and shall give notice to the Secretary and the Superintendent of any change in the NAAA's status as a registered charity in Maryland.

f. Absent the express prior written consent of the Secretary, the NAAA's headquarters shall remain situated on the grounds of the Naval Academy and the NAAA shall conduct business from that location.

g. The NAAA shall neither contract in the name of the Navy nor the Naval Academy nor hold itself out to the public as having the power to do so.

h. The NAAA shall continue to cooperate with periodic reviews conducted pursuant to the Naval Academy's Command Evaluation Program annual plan.

7. Authority. Subject to, and in consideration of, the controls and covenants expressed in paragraphs 5 and 6 of this Agreement, the Navy and NAAA agree to do business as follows:

a. As authorized under 10 U.S.C. § 6981(c), the Navy accepts from the NAAA funds, supplies, and services to support Naval Academy athletic and physical fitness programs.

b. The Naval Academy, subject to an appropriation, will contribute funds each year toward the cost of the NAAA's managing, among other things, the Naval Academy's physical fitness program, non-revenue generating varsity sports programs, athletic fields, and Commissioning Week requirements.

c. The Secretary hereby delegates to the Superintendent the authority, on behalf of the Naval Academy, to contract via an authorized Navy contracting authority, on a sole source basis for the provision of NAAA services related to non-revenue-generating activities, but such contract shall:

(1) Be for a term no greater than five (5) years.

(2) Comply in all respects with the Federal Acquisition Regulation but not with such procurement-related requirements as are expressly waived by the provisions of 10 U.S.C. § 6981.

(3) Be subject to a Quality Assurance Plan imposed on the NAAA by the Naval Academy.

(4) Comply with the NCAA Division I Manual.



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(5) As authorized under 10 U.S.C. § 6981(b), permit the NAAA to use, at no cost, personal property of the Department of the Navy to assist the NAAA in supporting Naval Academy athletic and physical fitness programs.

(6) Be subject to regular review and administration by a Navy Contracting Officer Representative (COR) assigned by the Superintendent.

d. The Secretary hereby delegates to the Superintendent the authority, on behalf of the Naval Academy, in consultation with the Office of Naval Research, to license to the NAAA, as referenced in 10 U.S.C. §6981 (a)(2) and elsewhere in that section, on a sole source basis, trademarks and service marks of the Naval Academy, and the right to use them in commerce to generate revenue to support Naval Academy athletic and physical fitness programs.

e. The Secretary hereby delegates to the Superintendent the authority, on behalf of the Naval Academy, to enter into an operating agreement (Operating Agreement) with NAAA to establish specific rights and obligations of the parties to effect this Agreement, but such Operating Agreement shall:

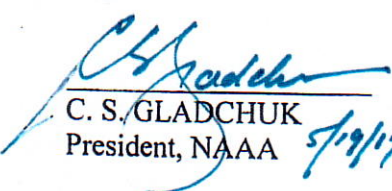
(1) Be for a term no greater than five (5) years.


(2) Comply with the NCAA Division I Manual.

(3) Comply with applicable Navy instructions.

(4) As authorized under 10 U.S.C. § 6981 (b), permit the NAAA to use, at no cost, personal property of the Department of the Navy to assist the NAAA in supporting Naval Academy athletic and physical fitness programs.

8. Term of Agreement. This Agreement will become effective upon the date of its execution by the last party signing below and will remain in force until modified or cancelled by either party. It will be reviewed every five (5) years by the Naval Academy and NAAA to recommend amendments, if any, to the Secretary.

  
C. S. GLADCHUK  
President, NAAA 5/9/17

  
Sean J. Stackley  
Acting